**UNITED STATES DEPARTMENT OF ENERGY
WESTERN AREA POWER ADMINISTRATION**

CENTRAL VALLEY PROJECT

<u>SCHEDULE OF RATES FOR CUSTOM PRODUCT POWER</u>

<u>Effective</u>:

October 1, 2011, through September 30, 2019.

<u>Available</u>:

Within the marketing area served by the Western Area Power Administration (Western),

Sierra Nevada Customer Service Region.

<u>Applicable</u>:

To customers that contract with Western for Custom Product Power (CPP).

To Variable Resources (VR) Customers requesting scheduling for this service.   VR

Customers will pay a scheduling charge to recover Western's cost for scheduling VR CPP

service.

<u>Character and Conditions of Service</u>:

Alternating current, 60-hertz, three-phase, delivered and metered at the voltages and points

established by contract, in accordance with approved policies and procedures.

<u>Formula Rate</u>:   The formula rate for CPP includes three components:

<u>Component 1</u>:

The customer will pay all costs incurred in the provision of CPP.   These costs will be

passed through to the customer.   The methodology used to calculate the amount of the pass

through will be based on the type of funding used to purchase the CPP.   The CPP includes, but

is not limited to, supplemental power and Base Resource (BR) firming power.   If in the event

customer advance funding is used to purchase CPP, then allocation of surplus CPP sales will be

determined based on customer's account status.

    If the CPP is funded through appropriations, Federal reimbursable, or use of receipts

authority, the cost of the CPP is passed through to the customer(s) for whom Western has made

the purchase.   The CPP funded through appropriations, Federal reimbursable, or use of receipts

authority that is surplus to the load requirements of the customer(s) will be sold.   Proceeds from

the sale of surplus CPP funded through use of receipts, Federal reimbursable, or appropriations

authority will be applied to the CPP purchase cost for the customer(s) to the extent possible.   If

the cost of the CPP is fully recovered and proceeds remain from the sale of surplus CPP, the

remaining proceeds will be used to reduce the Power Revenue Requirement (PRR).

    The table below illustrates the pass through of the CPP costs to each customer and the

treatment of proceeds from the sale of surplus CPP funded through appropriations, Federal

reimbursable, or use of receipts authority.   As shown below, customers A, B, and C are

responsible for paying the full costs of the CPP purchase made by Western (total CPP revenue

requirement (RR) is $780).   The CPP RR of $780 is reduced by the sale of 1 megawatthour

(MWh) at $45, which reduces the CPP RR to $735.   Therefore, the reduced CPP RR of $735 is

prorated to each customer based on the amount of CPP purchased on their behalf.

Example: CPP Cost Recovery with Proceeds from Sales of Surplus CPP Use of Receipts, Federal Reimbursable, or Appropriations Authority						
If Western made a CPP purchase of 13 MW for the hour @ $60/MWh = $780						
	CPP Purchased (MWh)	CPP USED (MWh)	CPP Costs	Surplus CPP sold	Proceeds from excess CPP sales	CPP Customer Charges
Customer A	5	5		0		$283
Customer B	4	4		0		$226
Customer C	4	3		1		$226
Total	13	12	$780	1	$45	$735
Notes: 1. Western sold 1 MWh of CPP at $45/MWh = $45. 2. Proceeds from the sale of surplus CPP reduce the CPP costs prorated based on the amount of CPP purchased.						

    Effective October 1, 2011, Western will charge $37.91 per schedule per day to cover its

administrative costs for procuring and scheduling CPP if the customer has not contracted with Western for this type of service through other agreements.   If the actual number of schedules for the month is not available, Western will estimate the number of schedules for the month and apply the $37.91 per schedule charge to the estimated number of schedules.

The table below depicts the VR scheduling charge per schedule for the effective rate period.

VR Scheduling Charge (Per Schedule) Effective Rate FY 2012 through FY 2016					
FY	2012	2013	2014	2015	2016
VR Scheduling Charge Per Schedule	$37.91	$39.04	$40.21	$41.42	$42.66

Component 2:

Any charges or credits associated with the creation, termination, or modification to any tariff, contract, or rate schedule accepted or approved by the Federal Energy Regulatory Commission (FERC) or other regulatory bodies will be passed on to each relevant customer. The FERC's or other regulatory bodies' accepted or approved charges or credits apply to the service to which this rate methodology applies.   When possible, Western will pass through directly to the relevant customer FERC's or other regulatory bodies' accepted or approved charges or credits in the same manner Western is charged or credited.   If FERC's or other regulatory bodies' accepted or approved charges or credits cannot be passed through directly to the relevant customer in the same manner Western is charged or credited, the charges or credits will be passed through using Component 1 of the formula rate.

Component 3:

Any charges or credits from the Host Balancing Authority (HBA) applied to Western for providing this service will be passed through directly to the relevant customer in the same manner Western is charged or credited to the extent possible.   If the HBA's costs or credits cannot be passed through to the relevant customer in the same manner Western is charged or

credited, the charges or credits will be passed through using Component 1 of the formula rate.

Billing:

Billing for CPP and VR scheduling charge occurs monthly using the formula rate.

Adjustments for Losses:

All losses incurred for delivery of CPP under this rate schedule shall be the responsibility of the customer that has contracted for this service.

Adjustment for Audit Adjustments:

Financial audit adjustments that apply to the formula rate under this rate schedule will be evaluated on a case-by-case basis to determine the appropriate treatment for repayment and cash flow management.